

## Message Text

LIMITED OFFICIAL USE

PAGE 01 BUENOS 03614 171208Z  
ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03  
INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03  
SP-02 LAB-04 EPG-02 SIL-01 OMB-01 PA-01 PRS-01  
AGRE-00 /056 W  
-----172206Z 038162 /73

R 162059Z MAY 77  
FM AMEMBASSY BUENOS AIRES  
TO SECSTATE WASHDC 0505

LIMITED OFFICIAL USE BUENOS AIRES 3614

E.O. 11652: N/A  
TAGS: EFIN, AR  
SUBJECT: INFLATION IN APRIL; THE GOA ADOPTS NEW PRICE INDEX

SUMMARY: THE GOA ADOPTED A NEW CPI INDEX IN APRIL, APPARENTLY TO WARD OFF ADVERSE PSYCHOLOGICAL IMPACT OF HIGH INFLATION WHICH OLD INDEX WOULD HAVE SHOWN. ACCORDING TO THE NEW INDEX, THE CPI IN APRIL ROSE 6.0 PERCENT; THE OLD INDEX WOULD HAVE JUMPED AROUND 9-12 PERCENT ACCORDING TO WELL-INFORMED SOURCES. THE PRICE "TRUCE" HAS MODERATED THE RISE IN NATIONAL ORIGIN WHOLESALE PRICE INCREASES AND IS BEING PROGRESSIVELY RELAXED IN THE HOPE OF WARDING OFF A SHARP RISE IN PRICES ON THE DAY AFTER THE TRUCE ENDS. END SUMMARY.

1. BASED ON A NEW PRICE INDEX NOW IN USE BY THE GOA, THE CONSUMER PRICE INDEX IN APRIL ROSE 6.0 PERCENT (UNADJUSTED), BRINGING THE TOTAL CPI RISE DURING THE PAST TWELVE MONTHS TO 150 PERCENT. THE GOA HAS NOT YET RELEASED THE BREAKDOWN BY EXPENDITURE CATEGORIES NOR GIVEN THE SEASONALLY ADJUSTED FIGURES.

2. ACCORDING TO A PRESS RELEASE, THE GOA DECIDED TO DISCARD THE OLD CPI PRICE INDEX BECAUSE IT WAS BASED ON LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BUENOS 03614 171208Z

THE CONSUMPTION PATTERN OF THE INDUSTRIAL WORKER IN 1960 -- A PATTERN WHICH IS TOTALLY OUT OF DATE. THE NEW INDEX IS BASED ON A SURVEY OF CONSUMPTION CONDUCTED IN 1970/1971 WHICH TAKES INTO ACCOUNT NON-INDUSTRIAL WORKERS AS WELL AND INCREASES THE SAMPLE OF GOODS AND SERVICES FROM 300 TO 490. THE GOA HAS BEEN COMPILING STATISTICS WITH BOTH INDEXES SINCE JANUARY 1974 AND HAS

CONCLUDED THAT THE OVERALL RESULTS FOR EACH ARE QUITE SIMILAR. FOR EXAMPLE, THE AVERAGE CPI RISE IN 1976 USING THE OLD INDEX WAS 444 PERCENT; USING THE NEW INDEX, 433.5 PERCENT.

3. THE GENERAL WHOLESALE PRICE INDEX, WHO FORMULATION REMAINS UNCHANGED, INCREASED 5.4 PERCENT IN APRIL, WITH NATIONAL PRODUCTS RISING 4.4 PERCENT (A MODERATE INCREASE REFLECTING THE EFFECT OF THE PRICE TRUCE) AND IMPORTED PRODUCTS 15.7 PERCENT. DURING THE JANUARY-APRIL PERIOD, THE AGRICULTURAL WHOLESALE PRICE INDEX ROSE 25.5 PERCENT WHEREAS THE NON-AGRICULTURAL PRICE INDEX WENT UP 35.9 PERCENT. THESE RESULTS SUGGEST THAT THE MARKED TREND IN 1976 TOWARD MUCH HIGHER PRICES FOR AGRICULTURAL PRODUCTS RELATIVE TO THOSE FROM INDUSTRY HAS BEEN REVERSED IN 1977. IN ADDITION, SINCE DEVALUATION DURING THE JANUARY-APRIL PERIOD WAS 28.6 PERCENT, EXPORTERS OF INDUSTRIAL PRODUCTS APPEAR TO HAVE SOME BASIS FOR THEIR ASSERTION THAT THEIR COMPETITIVENESS INTERNATIONALLY HAS BEEN DECREASING AS A RESULT OF MORE RAPIDLY RISING COSTS DOMESTICALLY.

4. SINCE THE PRICE "TRUCE" HAS BEEN IN EFFECT SINCE MARCH, THE SECRETARIAT OF COMMERCE HAS GONE TO SOME PUBLIC RELATIONS EFFORT TO POINT OUT THAT 69.5 PERCENT OF THE WEIGHT OF THE ITEMS INCLUDED IN THE CONSUMER PRICE INDEX AND 62 PERCENT OF THOSE IN THE WHOLESALE INDEX ARE NEITHER FIXED BY THE GOVERNMENT NOR SUBJECT TO PRICE CONTROLS UNDER THE PRICE TRUCE. THE SECRETARIAT HAS ALSO BEEN ANNOUNCING PERIODICALLY THE ELIMINATION OF LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 BUENOS 03614 171208Z

PRODUCTS AND COMPANIES FROM THE LIST OF THOSE SUBJECT TO PRICE CONTROLS, BASED ON ITS ASSESSMENT AS TO WHETHER COMPETITIVE CONDITIONS IN THAT PRODUCT LINE EXIST. IN ADDITION, THE GOA HAS BEEN PERMITTING MANY FIRMS TO ADJUST PRICES UPWARD ON A VARIETY OF PRODUCTS COVERED BY THE TRUCE. IF ALL GOES ACCORDING TO PLAN, THEREFORE, THERE SHOULD BE NO SHARP JUMP IN PRICES ON THE 121ST DAY OF THE TRUCE.

5. COMMENT: THE FAILURE OF THE GOA TO RELEASE THE FIGURES FOR APRIL USING THE OLD CPI INDEX HAS BEEN WIDELY INTERPRETED AS PROOF THAT INFLATION IN APRIL WAS MUCH HIGHER. SOURCES CONSULTED ESTIMATE THAT THE OLD CPI WOULD HAVE RISEN BETWEEN 9-12 PERCENT IN APRIL, PRIMARILY AS A RESULT OF THE HEAVY IMPACT OF INCREASES IN CONTROLLED RENTS. UNDER THE NEW INDEX, THE COST OF HOUSING IS A BROADER CATEGORY, INCLUDING MORTGAGE AND REPAIR EXPENSES OF HOME OWNERS AND RENTS WHICH ARE NOT CONTROLLED. THE SOURCES GENERALLY AGREE

THAT THE OLD INDEX WAS DISTORTED AND THAT THE GOA WAS  
FORCED TO HIDE THE RESULTS, IN VIEW OF THE DISASTROUS  
PSYCHOLOGICAL AND POLITICAL IMPACT THEY COULD HAVE HAD.  
CHAPLIN

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** INFLATION, PRICE CONTROLS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Sent Date:** 16-May-1977 12:00:00 am  
**Decaption Date:** 01-Jan-1960 12:00:00 am  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1977BUENOS03614  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D770175-0621  
**Format:** TEL  
**From:** BUENOS AIRES  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1977/newtext/t19770554/aaaabusn.tel  
**Line Count:** 120  
**Litigation Code IDs:**  
**Litigation Codes:**  
**Litigation History:**  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Message ID:** 8b2d4693-c288-dd11-92da-001cc4696bcc  
**Office:** ACTION ARA  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 05-Apr-2005 12:00:00 am  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 2510425  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** INFLATION IN APRIL; THE GOA ADOPTS NEW PRICE INDEX SUMMARY: THE GOA ADOPTED A NEW CPI INDEX IN APRIL, APPARENTLY TO WARD OFF ADVERSE PSYCHOLOGICAL I MPACT OF HIGH I  
**TAGS:** EFIN, AR  
**To:** STATE  
**Type:** TE  
**vdkgvkey:** odbc://SAS/SAS.dbo.SAS\_Docs/8b2d4693-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009